

Message Text

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ACTION STR-07

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-11 IO-13
ISO-00 STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15 ITC-01
TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 NSCE-00 SSO-00
ICAE-00 INRE-00 OIC-02 DOEE-00 /153 W
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FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 0965

INFO AMEMBASSY BRUSSELS

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STR PASS CODEL

E.O. 11652: N/A

TAGS: ETRD, EAGR, MTN

SUBJECT: POSSIBLE END-PRODUCT IN AGRICULTURE--TOKYO ROUND

1. AS WE MOVE INTO THE LAST MONTH OF NEGOTIATIONS PRIOR TO JULY 15, THE U.S. HAS A GOOD CHANCE TO PRODUCE A COMPREHENSIVE AND SIGNIFICANT AGRICULTURAL RESULT. TO DO SO WILL REQUIRE (A) A POSITIVE, CONSISTENT, AND AGGRESSIVE ROLE WITH NEGOTIATING LEADERSHIP BY THE U.S. AND (B) A COMMON AMERICAN AGRICULTURAL STRATEGY SEEKING OVERALL BALANCE ACROSS A LARGE AND COMPLICATED SPECTRUM OF SECTORAL AND FUNCTIONAL ELEMENTS. WITHOUT THIS COMPREHENSIVE VIEW, IT IS HIGHLY PROBABLE THAT ON AN ITEM-BY-ITEM BASIS WE
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WILL FALL FAR SHORT OF OUR AIMS AGAIN, ENDING UP WITH ONLY MODEST CONCESSIONS.

2. MTN DEL APPRECIATES THAT AN OVERALL AGRICULTURAL POLICY AND NEGOTIATING STRATEGY IS EXTREMELY DIFFICULT TO RECONCILE WITH OUR SEPARATE SECTORAL, REGIONAL AND POLITICAL CONSTITUENCIES. HOWEVER, WITHOUT SUCH AN OVER-

ALL APPROACH, THE BIG LOSERS IN THIS NEGOTIATION WILL BE THE AMERICAN FARMERS, CONSUMERS AND TAXPAYERS.

3. FINAL PACKAGE COULD INCLUDE THE FOLLOWING ITEMS. OBVIOUSLY THEY ARE NOT INDIVIDUALLY SELF-CONTAINED, WHICH IS WHY A BALANCING OF TOTAL BENEFITS FOR THE U.S. IS ESSENTIAL:

A. GUIDELINES FOR EXPANDED INTERNATIONAL TRADE IN AGRICULTURE.

THE GATT IS SPARSE IN ITS TREATMENT OF AGRICULTURAL TRADE AND ITS RECORD IS EVEN WORSE IN PROMOTING LIBERALIZATION OF MARKETS FOR AGRICULTURAL PRODUCTS. THERE IS SOME HOPE THAT WITH A "CHAPEAU" DOCUMENT WE COULD GAIN AGREEMENT ON SOME FUNDAMENTAL GUIDELINES THAT WOULD HELP ACROSS THE BOARD IN OUR EFFORTS FOR STABILIZATION, PRESERVATION OF A ROLE FOR MARKET FORCES, AND ACCESS TO EXPANDING MARKETS FOR THE MOST ECONOMICAL PRODUCERS. THESE GUIDELINES, REPRESENTING A SIGNIFICANT FORWARD STEP IN EXPANDING INTERNATIONAL UNDERSTANDING IN AGRICULTURE, COULD BE PARTICULARLY VALUABLE IF CONTINUALLY PURSUED BY THE U.S. THROUGH AGGRESSIVE MULTILATERAL MONITORING AND CONSULTATIONS ON AN ON-GOING BASIS.

B. A SERIES OF COMMODITY ARRANGEMENTS COVERING FOUR KEY AREAS: (1) WHEAT, (2) LIMITED OFFICIAL USE

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COARSE GRAINS, (3) DAIRY AND (4) MEAT.

THESE COMMODITIES REPRESENT SOME OF THE BIGGEST VOLUME ITEMS IN INTERNATIONAL TRADE. THE U.S. HAS MAJOR STAKES NOW AND FOR THE FUTURE IN EACH OF THESE FOUR AREAS. ALTHOUGH THE ADVANTAGES OF THESE STABILIZATION AND COORDINATION EFFORTS MAY NOT BE IMMEDIATELY APPARENT TO SOME, SUCH MOVES WILL BE ESSENTIAL IF WE ARE TO HAVE THE KIND OF CONTINUING DIALOGUES THAT THESE SIGNATORY PARTNERS WOULD ESTABLISH. THESE FORA WILL BE CRITICALLY IMPORTANT TO MAINTAIN AND BUILD OUR MARKET SHARES AND TO PROTECT OUR OWN PRODUCERS FROM WIDELY FLUCTUATING WORLD CONDITIONS. THESE AGREEMENTS ALSO PROVIDE US OUR BEST AVENUE TO OBTAIN COMMITMENTS VITAL TO OUR LONG-TERM AGRICULTURAL INTERESTS THAT RESTRAIN THE USE OF EXPORT SUBSIDIES.

C. REASONABLE CONCESSIONS IN RESPONSE TO OUR NUMEROUS MARKET ACCESS REQUESTS.

AS A RESULT OF OUR WILLINGNESS TO COOPERATE IN INTERNATIONAL STABILIZATION EFFORTS, WE SHOULD BE ABLE TO OBTAIN A HIGHER LEVEL OF BARGAINING LEVERAGE THAN WE

COULD ACHIEVE THROUGH POLITICALLY ACCEPTABLE U.S. IMPORT CONCESSIONS. MOREOVER, IN TODAY'S ECONOMIC ENVIRONMENT, WE HAVE NO CARRYOVER FROM INDUSTRIAL CONCESSIONS THAT WOULD FAVOR GRANTING US IMPORTANT AGRICULTURAL ADVANTAGES. THEREFORE, OUR MAIN AGRICULTURAL NEGOTIATING PROSPECT IN THE TOKYO ROUND IS TO TRADE U.S. PARTICIPATION IN INTERNATIONAL STABILIZATION ARRANGEMENTS FOR SPECIFIC PRODUCT ACCESS IMPROVEMENTS. THIS COMBINATION COULD HELP GETTING IMPROVEMENTS ACROSS A BROAD RANGE OF AGRICULTURAL SECTORS, PARTICULARLY WITH THE EC, OUR BIGGEST CUSTOMER.

D. AN ACCUMULATION OF BENEFITS THROUGH
THE REQUEST/OFFER PROCEDURE FROM A LARGE
NUMBER OF SMALLER COUNTRIES AND LDC'S.
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EVEN MODEST ACCESS IMPROVEMENTS CAN CUMULATIVELY REPRESENT IMPORTANT GROWTH OPPORTUNITIES FOR AMERICAN AGRICULTURE IN SMALLER MARKETS. THESE REDUCED TARIFFS, ENLARGED QUOTAS AND BINDINGS COULD COLLECTIVELY PROVE INVALUABLE TO US OVER TIME.

E. AGRICULTURAL COVERAGE IN NTM CODES.

FINALLY, WE ARE ATTEMPTING TO INCLUDE AGRICULTURAL COVERAGE IN AS MANY OF THE NTM CODES AS POSSIBLE, INCLUDING AT LEAST SUBSIDIES, STANDARDS, VALUATIONS, AND SAFEGUARDS. AGAIN, WHEN REINFORCED WITH A STRONGER DISPUTE SETTLEMENT PROCESS INTERNATIONALLY, THESE CODES COULD ALSO PRODUCE MAJOR AGRICULTURAL BENEFITS OVER TIME IN FAIRER TRADE PRACTICES.

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4. AS IN ANY NEGOTIATION, THIS IMPORTANT RESULT COULD SLIP AWAY EASILY UNLESS PURSUED ACROSS THE BOARD WHEREVER OUR NEGOTIATING OPPORTUNITIES OCCUR, THEREBY HOLDING UNTIL THE END FINAL JUDGMENTS AT THE TOP POLITICAL LEVELS ON OVERALL AGRICULTURAL BALANCE. OUR GREATEST DANGER IS A PIECEMEAL APPROACH. THIS WOULD LEAD TO LOWEST COMMON DENOMINATOR RESULTS, OR WORSE STILL, TO DECISIONS BY ONE OR ANOTHER MAJOR PARTICIPANT TO OPT OUT OF CRITICAL PARTS OF THE NEGOTIATIONS, THUS INVITING A GENERAL UNRAVELING EFFECT AMONG IMPORTERS. THIS WOULD MEAN THAT ALL OF OUR AGRICULTURAL INTERESTS WOULD END UP AS NET LOSERS, A RESULT WE MUST AVOID AT ALL COST. MCDONALD

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